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RUEHBJ/AMEMBASSY BEIJING 1714
RUEHKO/AMEMBASSY TOKYO 1581
RUEHIT/AMCONSUL ISTANBUL 2150
RUCPDOC/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHMFSS/CDR USCENTCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000745

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TAGS: PREL ECON EFIN TX
SUBJECT: TURKMENISTAN: TREASURY DELEGATION ENCOUNTERS A
NEWLY OPEN AND ENGAGING ECONOMIC AND FINANCIAL SECTOR

Classified By: CDA RICHARD E. HOAGLAND: 1.4 (B), (D).

¶1. (SBU) SUMMARY: A team of four U.S. Department of the Treasury assistance advisors representing public finance and management, economic policy, and banking visited Ashgabat June 2-6 to evaluate possible areas of technical cooperation with Turkmenistan. The delegation met with various government officials from the economic and financial sector in lengthy and -- unusual for Turkmenistan -- interactive meetings. Although a European Commission project that began in March 2008 at the Ministry of Finance will most likely preclude any involvement there, delegation members felt there was potentially good support for cooperation at the Ministry of Economy and Development and Central Bank, and are preparing technical assistance proposals for those two agencies. There was a nigh-and-day difference between these meetings and those Treasury had in Ashgabat late last year.
END SUMMARY.

OFFICIAL MEETINGS

¶2. (SBU) Four advisors representing different areas of the Department of the Treasury's Office of Technical Assistance visited Ashgabat June 2-6: Linda Decker (Public Finance and Management), Thomas Lanier (Economic Policy), George Mullinax (Banking), Gail Ostler (Public Finance and Management). The team attended official meetings with Deputy Prime Minister for Economy and Finance Hojamyrat Geldimuradov, Chairman of the Central Bank Guvanchmurat Goklenov, Minister of Economy and Development Gurbanmurat Gurbanmuradov, Minister of Finance Annamuhamed Gochiyev, Deputy Minister of Finance Dovletgeldi Sadykov, Head of the Government Finance Consolidation Department Galina Romanova, Head of the Budget and Fiscal Policy Division of the Department of Economic Development within the Cabinet of Ministers Shemshat Amanova, as well as working-level officials.

DEPUTY PRIME MINISTER CONFIRMS REDENOMINATION BY JANUARY 1

¶3. (SBU) Deputy Prime Minister Geldimuradov explained on June 2 that Turkmenistan currently has a technical assistance program with EU-TACIS, and cooperates with other organizations as well. Geldimuradov confirmed that Turkmenistan intends to introduce currency redenomination on January 1, 2009, and emphasized Turkmenistan is doing this for "reintegration" (into the international financial sector) purposes, as well as to regulate inflation and create economic stability. Next year, Turkmenistan plans to introduce legislation regulating small and medium enterprises and a new Tax Code. Minister of Economy and Development Gurbanmuradov said that Turkmenistan is sending students to study in China and other countries, and that it will spend \$14 billion on the Rural Development Plan by 2020. At this meeting, Turkmen officials were interested in the team's experience in Central Asia, as well as lengths of technical assistance projects and costs. Treasury Policy Advisor Thomas Lanier agreed to provide project proposals in the areas of domestic debt, general economic policy advisory services, and foreign exchange reserve funds.

EC PROJECT IN FULL SWING AT FINANCE MINISTRY

¶4. (SBU) Minister of Finance Gochiyev highlighted his ministry's cooperation with various international financial institutions and the "good level of relationships within TIFA" at a meeting on June 2. The Ministry's priorities are organization of public finance, budgeting, fiscal standards, capital markets, insurance, analysis and finance of ministries and the national budget. It also wishes to control implementation of national debt and undertake

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financial control. Gochiyev stated that 60-70% of Turkmenistan's gross domestic product should come from the small and medium enterprise sector. Romanova said that the Ministry would like involvement in improving legislation of new economic forms. At a working-level meeting held on June 3 with Romanova and Deputy Minister Sadykov, Deputy Chief of Treasury Department Batyr Atayev, Chief of Tax Policy and Accounting Standards Babajan Charyev, and Chief of Social Sector and Scientific Finance Gulmuradov suggested that an existing European Commission (EC) project led by Louis Berger Group consultant Arnold Hoiting makes it unlikely that Treasury will be able to provide any assistance -- at least not until the EC project is underway and the Ministry can identify gaps in the existing project. Gulmuradov showed interest in budgeting for social services on the local level, and the Treasury officials offered to provide school district budgets and other information on public spending to him.

CENTRAL BANK WANTS TO IMPROVE PUBLIC TRUST IN THE BANKING SECTOR

¶5. (SBU) Central Bank Chairman Goklenov said on June 3 that his organization is interested in implementing Basel II banking stabilization principles, since the Bank already implemented Basel I to a certain degree and Basel II allows for more investments. Goklenov added that assistance with cash management would be appropriate as the next task is redenomination. He also said that small and medium enterprise development is relevant because of its priority in national policy, and also asked many questions about the advisors' experience assisting other countries in this area. After the meeting with Goklenov, one of the specialists attending the meeting quickly arranged a meeting with Chief of the Banking Supervision Department Halmurad Orayev to discuss working-level issues. The Treasury advisors will prepare a proposal on writing a deposit insurance law. This was an offer that Goklenov received well and said, "One of the main objectives is to increase people's trust in the banking system." Treasury Banking Advisor George Mullinax will provide proposals for projects in insurance, deposit insurance, a guarantee fund for small and medium enterprises, and a workshop on Basel II.

UNOFFICIAL MEETINGS ROUND OUT VIEWS OF TURKMENISTAN

¶6. (C) Meetings with National Bank of Pakistan General Manager Rizwan Khan, European Bank for Reconstruction and Development Ashgabat Resident Office Head Neil McKain and Central Asia Director Masuro Honma, United Nations Development Programme Deputy Resident Director Initia Paulovica, World Bank Operations Officer Serdar Jepbarov, European Commission's (EC) Europa House Coordinator Emilio Valli, and Deutsche Bank Representative Office Director Peter Puhl offered insights into the political and organizational issues surrounding Turkmenistan's economic and financial sector. The delegation also met with EC contractor Arnold Hoiting. While the meetings with IFIs and other donors confirmed that organizations are moving forward to provide assistance -- World Bank, for example, will be offering one Ministry of Finance official an internship-type program at its headquarters -- all agreed there remains plenty of room for new donors and activities.

¶7. (C) COMMENT: There was a night-and-day difference between these meetings and those Treasure had in Ashgabat late last year when President Berdimuhamedov's economics and finance team clearly did not yet have its act together. In a country where the norm for meetings has been sessions with pre-cooked 30-minute recitations of policy, the give-and-take of these meetings stood out as a strongly positive

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development. Turkmen officials were engaged and engaging, asking questions and responding to queries in turn with a genuineness that made it clear that they were interested in what Treasury has to offer. Clearly, the ministries have a green light to discuss cooperation in detail. These meetings are valuable in that they give an opportunity for all participants to get acquainted, a necessity in Turkmenistan before agreements can get signed. END COMMENT.

HOAGLAND